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TAGS: [ECON](#) [BEXP](#) [PGOV](#) [PREL](#) [IS](#) [JO](#)

SUBJECT: JORDAN: UPDATE ON BOYCOTT OF U.S. PRODUCTS

REF: A. AMMAN 3648

[B](#). AMMAN 7312

[C](#). AMMAN 3394

Sensitive but Unclassified.

[1](#)1. (sbu) Summary. Business contacts say that an abiding affinity for U.S. consumer products, marketing strategies that played up local connections, and a crackdown by the government on political activities by professional associations blunted the impact of calls for boycotting American products following the expanded Israeli operations in the West Bank and Gaza earlier this year. With sales mostly back to normal, U.S. franchisees and importers are now preparing themselves for a new boycott cycle if there is any U.S.-led coalition confrontation with Iraq. End Summary.

[1](#)2. (sbu) According to American franchisees and purveyors of American products, the impact of calls earlier this year for boycotts of U.S. products has faded. Burger King, Pizza Hut, and Popeye's franchisees, Coke and Pepsi, and supermarkets and other stores that stock U.S. products all say that business has returned to normal since September. The only pocket where business appears to continue to be affected is in U.S. fastfood restaurants located near university campuses in Amman and Irbid. Some restaurants in these areas could close, but according to our contacts poor management by one franchisee is more responsible for lost business than the boycott calls.

[1](#)3. (sbu) Businesspeople with whom we discussed the subject cited four explanations for the short lifecycle of this most recent boycott episode:

-- Short local memories and an abiding affinity for U.S. products and culture.

-- Aggressive pricing and promotion strategies, particularly on the part of the soft drink companies.

-- A low-key public affairs campaign loosely coordinated by the AmCham that highlighted the local origin of franchise-related investment, local sourcing of products, Jordanian jobs that depend on U.S. trade and investment, and charitable and other good works engaged in by these companies.

-- The aggressive stance the government has taken against "anti-normalizers" associated with the professional associations (ref b), as well as the high-profile Jordan-First campaign that asks Jordanians to place Jordan's interests -- including economic -- ahead of non-Jordanian interests (read Palestine and Iraq).

[1](#)4. (sbu) Several businesses dealing in American-branded goods alleged that local competitors tried to take advantage of the boycott calls to promote non-U.S. products. This was particularly the case in the soft drink market, which has been flooded with low price, low quality Syrian products since the entry into force of a Jordan-Syria trade agreement in April 2002. While Coke and Pepsi continue to push the Jordanian government for safeguard protection under the agreement (ref c), they have recovered some of their market share through aggressive promotion and pricing of their products.

[1](#)5. (sbu) Comment: Our business contacts stressed the cyclical nature of the boycott calls. Boycotts come and go, but the real difficulty is that each cycle is harder to deal with than the last. This, they say, is the greatest long-term threat to franchise businesses and to the American market presence. The Pizza Hut franchisee, for example, told us of his fear that a U.S.-led military operation against Iraq would almost certainly provoke a new boycott cycle. He was confident that his businesses would survive, but at a greater cost than in previous episodes.

GNEHM